



POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

LEXINGTON KENTUCKY



Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**Lexington-Fayette Urban County Government
Kentucky**

For its Annual Financial Report
for the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell



Government Finance Officers Association

**Certificate of
Achievement
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June 30, 2020

Christopher P. Morrell

Executive Director/CEO

Lexington-Fayette County Government has received an Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association (GFOA). The most recent award is for the fiscal year ended June 30, 2020, and is the second award received by LFUCG. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

The City also received the GFOA Certificate of Achievement for Excellence in Financial Reporting Award for the FY2020 Annual Comprehensive Financial Report for the twenty-eighth consecutive year.

2021 Popular Annual Financial Report



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The Lexington-Fayette Urban County Government is proud to present this Popular Annual Financial Report (PAFR). This is a short form report that provides summarized information about the Government's financial activities. It is intended to give readers an overview of the Government and its finances, and does not provide all the detailed information required by accounting standards. It does not include information on all of the Government's Funds or Component Units. Detailed financial information, including the audited financial statement, is available in the Government's Comprehensive Annual Financial Report, commonly called the Annual Report. The Annual Report provides full disclosure of all material events in the notes to the financial statements, as well as required supplementary information and historical statistical information.

The Annual Report and PAFR are available online at:

<https://www.lexingtonky.gov/departments/accounting>



ABOUT THIS REPORT

What is a Popular Annual Financial Report



The Governmental Accounting Standards Board (GASB) provides lots of rules and guidelines that tell local governments what must be reported to the public. These rules ensure we're accountable to our residents and stakeholders, and provide uniformity in financial practices. LFUCG provides all required information in the Annual Comprehensive Financial Report (ACFR)- a 192 page report that outlines the financial health of the organization. The ACFR serves as LFUCG's audit and contains current year and historical financial information.

The Popular Annual Financial Report (PAFR) summarizes that information for our citizens and stakeholders in a way that is more accessible and less technical. You'll find information about our government and finances together in this document, as well as useful information about the City of Lexington.

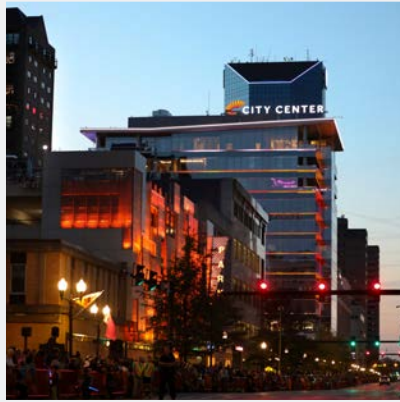
Please visit our website at www.lexingtonky.gov to see complete financial reporting for LFUCG.

ABOUT LEXINGTON

HISTORY



Tates Creek Golf Course



Downtown Lexington

Lexington was founded in 1775, seventeen years before Kentucky became a state. William McConnell and a group of frontier explorers were camping at a natural spring when they received word that the first battle of the American Revolution had just been fought in Lexington, Massachusetts. In honor of that event, they named their site "Lexington." Lexington grew quickly, and by the 1820s it had become one of the largest and wealthiest cities west of the Allegheny Mountains. Because of its rich culture, Lexington garnered the nickname, "Athens of the West." Lexington has continued to grow and prosper in the two centuries since. In 1974 Lexington and Fayette County became one of the first cities in America to merge the city and county governments. This would be highly beneficial for development and preserving the natural beauty of the area. Now, Lexington has a population of over 322,570 and its metropolitan statistical area is home to over 500,000. Lexingtonians enjoy low unemployment, low cost of living, and a rare combination of urban vibrancy and beautiful horse farms. Lexington, now "The Horse Capital of the World," is one of the most livable cities in the country.

LEXINGTON IN NUMBERS

322,570

Population



57th

**Largest City by
Population**

20th

**Largest City by
Land Area
In the United States**

LETTER FROM THE MAYOR



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Linda Gorton
Mayor

November 19, 2021

Dear Community Members,

The annual report for the fiscal year ending June 30, 2021, reflects fiscal discipline in the face of a pandemic that slowed economic activity throughout our city, and pushed unemployment to unprecedented levels.

It also reflects an economy that began shaking off the effects of COVID-19 by the end of the fiscal year. I predicted that Lexington's economy and the government would adjust to this uncertainty coming from the pandemic, and so we did. In late FY21, our employment levels were approaching pre-pandemic levels, and we saw considerable job growth through significant new private sector investments.

Through belt-tightening, our FY21 budget balanced in the face of the pandemic downturn. We made \$12.6 million in reductions throughout government. We took a strategic approach to these cutbacks, choosing thoughtfully and carefully to maintain the excellent basic services our citizens rely upon.

At the same time, this budget prepared our community to emerge from the pandemic stronger than ever through investments that enabled Lexington to continue to move forward and make progress.

Sincerely,

Linda Gorton
Mayor

FOLLOW MAYOR GORTON:

www.facebook.com/MayorGorton www.twitter.com/MayorGorton

200 East Main Street • Lexington, KY 40507 • (859) 425-2255 • www.lexingtonky.gov
HORSE CAPITAL OF THE WORLD



MAYOR LINDA GORTON

*Lexington-Fayette
Urban County Government*



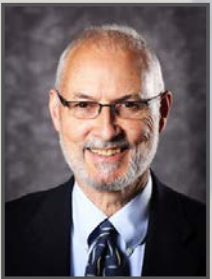
LEXINGTON

THE URBAN COUNTY COUNCIL

URBAN COUNTY COUNCIL

The Urban County Council consists of one Councilmember from each of the twelve districts and three At-Large Councilmembers, for a total of fifteen members. The District Councilmembers are elected for two-year terms and may serve up to six consecutive terms. At-Large Councilmembers are elected for four-year terms and may serve up to three consecutive terms. The at-large member who receives the most votes in the general election becomes the Vice Mayor. In the Mayor's absence, the Vice Mayor is the presiding officer.

All Council Work Sessions/Meetings are held in the Council Chamber on the second floor of the Government Center and are open to the public. There is a time for public comment at both of these meetings. Work Sessions are held every Tuesday at 3:00 pm when the Council is in session and Council Meetings are held on two Thursdays of each month at 6:00 pm. Please visit www.lexingtonky.gov for up-to-date information.



Steve Kay
Vice Mayor



James Brown
District 1



Josh McCurn
District 2



Hannah LeGris
District 3



Susan Lamb
District 4



Chuck Ellinger II
At-Large



Liz Sheehan
District 5



David Kloiber
District 6



Preston Worley
District 7



Fred Brown
District 8



Richard Moloney
At-Large



Whitney Baxter
District 9



Amanda Mays Bledsoe
District 10



Jennifer Reynolds
District 11



Kathy Plomin
District 12



RECENT AWARDS

Best Run Cities in America, #5

"Wallet Hub compared the operating efficiency of 150 of the largest US cities to reveal which among them are managed best."

Using a scoring metric that includes a "Quality of Services" score made up of 38 metrics and measured against each City's per-capita budget, it was determined that Lexington, Kentucky is the **fifth** best run City in America.

WalletHub, wallethub.com



Photo Source: SEC Universities, University of Kentucky
www.theseu.com/sec-universities/university-of-kentucky

US News and World Report Best Places Rankings

#33 Best Places to Live

#56 Best Places to Retire

#19 Cheapest Places to Live

"Lexington blends influences from the South and Midwest to create a cultural identity all its own. A college town, Lexington is home to the University of Kentucky, which is the city's largest school and employer. The university plays an important role in the city by providing a constant influx of young, educated people into the culture and economy."

US News and World Report, usnews.com

Best Cities for New College Grads, #6

SmartAsset

Best Cities for First-Time Homebuyers, #11

SmartAsset

Best Places to Travel, #22

Travel and Leisure Magazine

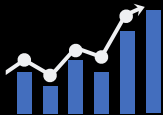
Cities with the Best Work- Life Balance, #10

SmartAsset

Cities Whose Unemployment Rates are Bouncing Back Most, #21

Wallet Hub



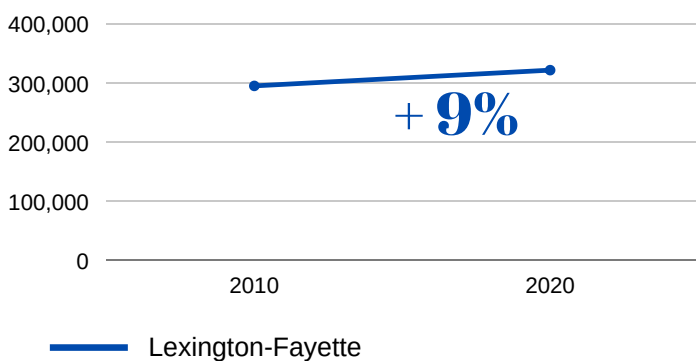


ECONOMIC OVERVIEW

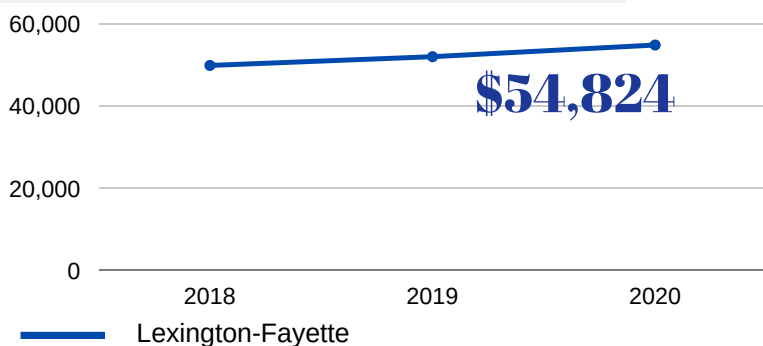
The Lexington-Fayette County area continues in a period of recovery following the 2020 Coronavirus outbreak. The area shows encouraging signs of economic stabilization and even growth. Lexington continues to outperform the state and national averages in employment, and continues to attract and retain a highly educated workforce. The population of Lexington is one of the most educated of similar sized cities in the country. Median Household income remains higher than the state average, and has continued to grow.

Sources: Bureau of Labor Statistics, U.S. Census Bureau, Bureau of Economic Analysis

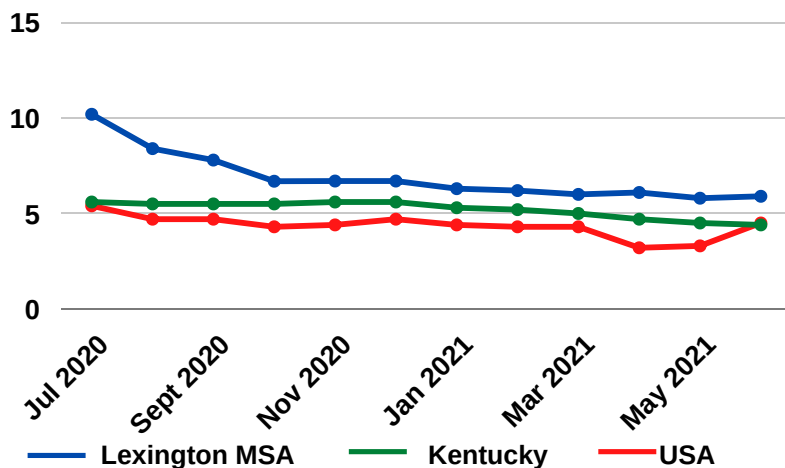
Population Growth



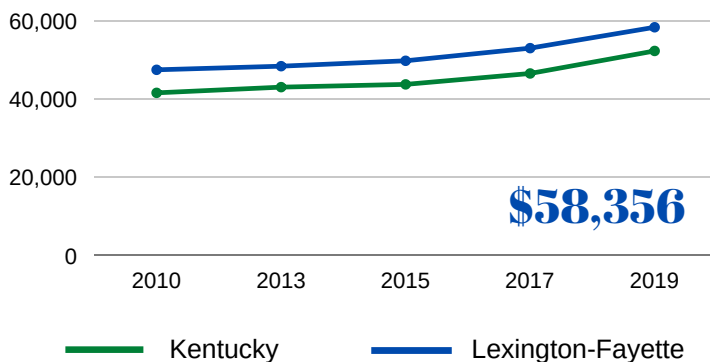
Per Capita Personal Income



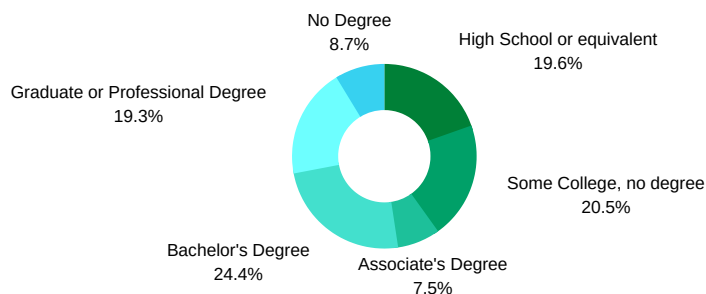
Comparative Unemployment Rates

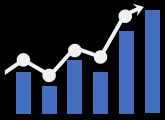


Median Household Income (dollars)



Educational Attainment





ECONOMIC OVERVIEW

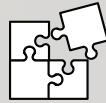
WHY LEXINGTON?

EDUCATED WORKFORCE



Anchored by the state's flagship university, the University of Kentucky, the Bluegrass boasts 10 colleges and universities within 40 miles of Lexington. In addition, Lexington has four other professional and technical colleges. In total, nearly 70,000 students are enrolled in institutions of higher learning in the Bluegrass, awarding more than 18,000 degrees and credentials annually. Among cities over 300,000 in population, the U.S. Census Bureau ranks Lexington as the 12th most highly educated in the nation (based on the 42.9% of the population 25 years or older holding at least a bachelor's degree). Even more impressive, 18.6% of the population has a graduate or professional degree, ranking Lexington the 11th most highly educated city.

INNOVATION LEADER



According to StatsAmerica's Innovation Index 2.0, the Lexington-Fayette Metropolitan Statistical Area (MSA) is the **state leader** in innovation and entrepreneurship. StatsAmerica's Innovation Index 2.0 quantifies a county, MSA, or Economic Development District's capacity for innovation and the amount of innovation already produced. The Lexington-Fayette MSA has the highest overall index score in the state with 111.1, compared to Louisville/Jefferson County KY-IN MSA's 103.8 and Cincinnati OH-KY-IN MSA's 110.5.

CENTRAL LOCATION



Lexington is far from the middle of nowhere, in fact, it is in the middle of everything! Lexington is located 600 miles from over two-thirds of the US population and is ideally situated at the crossroads of two major interstates, I-75 and I-64, giving companies here direct access to both north-south and east-west routes.



LOW BUSINESS COSTS

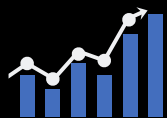


Kentucky has the lowest cost of electricity in the industrial sector among states east of the Mississippi River. Kentucky's industrial electricity rates are seventh lowest nationally and almost 18% lower than the national average.

Water service is available through local providers in each of the Bluegrass counties. Kentucky American Water, located in Lexington, is the largest, with a capacity of 90 million gallons per day.

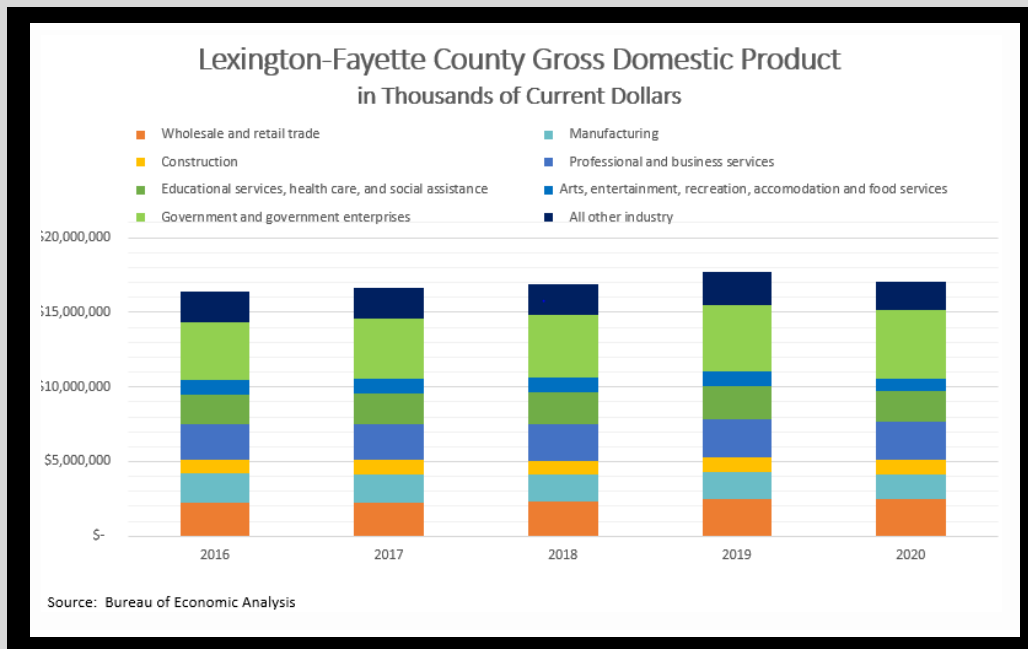
C2ER Cost of Living Index - 2019 Annual Average							
Location	Composite Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods
Lexington	92.4	89.7	82.8	95.7	96.5	78.9	100.6
Brooklyn	180.4	128.1	335.3	121.5	113.5	107.0	123.0
Los Angeles	145.9	116.0	228.1	106.3	134.5	110.7	111.8
Chicago	120.0	101.6	154.0	92.4	125.6	100.0	109.3
Philadelphia	110.5	118.4	115.2	105.7	115.9	101.7	104.6
Dallas	107.7	100.0	117.5	106.9	96.6	105.4	106.6
Seattle	156.7	128.8	225.0	108.1	137.6	128.6	136.0
San Diego	141.3	115.8	213.9	123.3	128.9	107.2	107.1

Source: Commerce Lexington, Why Lexington?













FAYETTE COUNTY - BUSINESSES

Lexington has a diverse economy with major employers in manufacturing, finance, healthcare, government, and other industries. The diversity of the economy is one of our strengths with more than 28,500 companies doing business in a multitude of sectors. Lexington-Fayette County is a \$20+ billion economy marked by consistent and sustainable growth. Between 2016 and 2020, the Lexington-Fayette County economy (GDP) grew 5% overall with an average annual growth of 1%. The 2020 COVID-19 pandemic created noticeable declines in the manufacturing, education and health services, and entertainment industries; however, all are showing signs of recovery in 2021.



Top 10 Employers in Fayette County

	15,541		2,621
	5,727		2,500
	5,620		2,000
	4,502		1,500
	2,884		1,400



FINANCIAL OVERVIEW

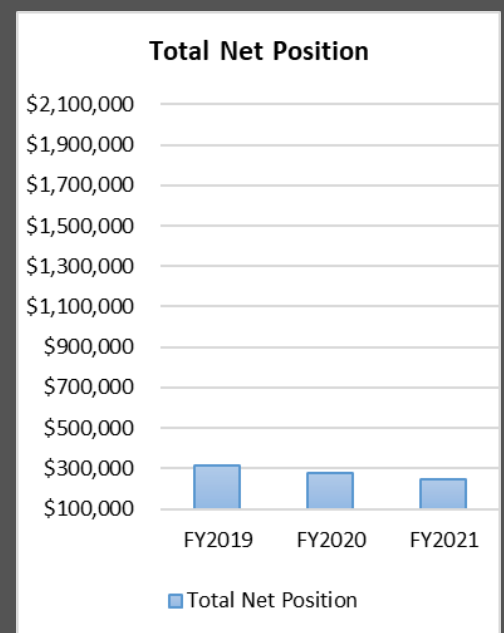
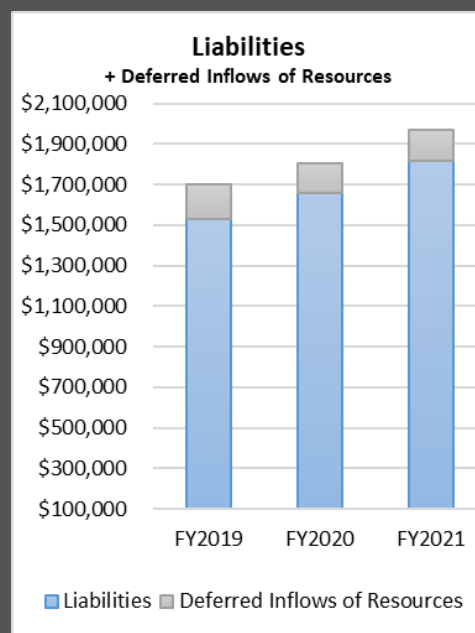
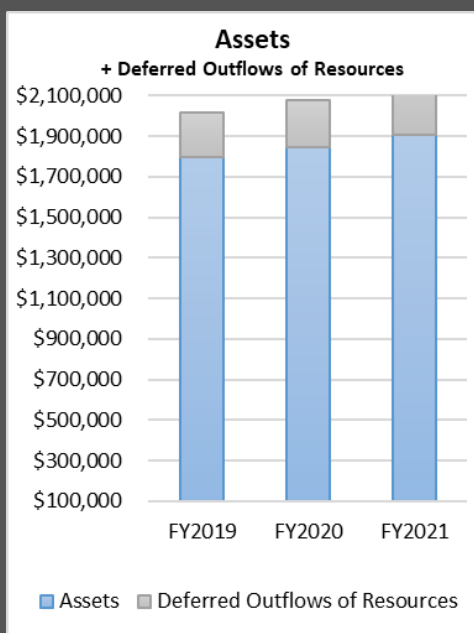
NET POSITION

Inside the Government-Wide Statement of Net Position

- **Net Position:** Net position is the sum of all the assets and deferred outflows of resources less the liabilities and deferred inflows of resources.
- **Assets:** The listed assets represent anything of value (equipment, real estate, cash) that the Government owns.
- **Liabilities:** The liabilities represent all debts and future obligations that the Government has to pay.
- **Deferred Outflows and Inflows of Resources:** The outflow (consumption) or inflow (acquisition) of resources in the current period applicable to future reporting periods.

Net Position Formula

(presented in thousands)



$$\begin{array}{rcccl} \text{Assets and} & & \text{Liabilities and} & & \\ \text{Deferred Outflows of} & - & \text{Deferred Inflows of} & = & \text{Net Position} \\ \text{Resources} & & \text{Resources} & & \end{array}$$

What does it mean? The Government-Wide Statement of Net Position presents information on all of the Government's assets and liabilities, deferred outflows, and deferred inflows with the difference between the above reported as Net Position. Net Position is the difference between what the government owns and what the government owes. **Positive net position balances indicate a measure of financial stability.** The Government maintained a positive net position in 2021, following long-term trends for LFUCG. Net position decreased from \$276.1 million in 2020 to \$244.6 million in 2021. The largest portion of the Government's net position is invested in capital assets (building, land, infrastructure, etc) that the government uses to provide services to its citizens.

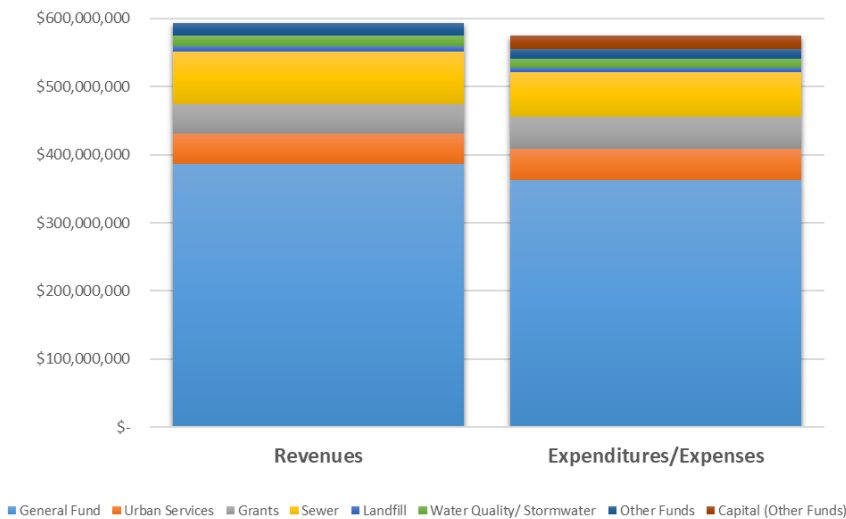
The government-wide financial activities also include Component Units which are legally separate organizations for which the Government is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.



FINANCIAL OVERVIEW

FUND SUMMARY

LFUCG REVENUES AND EXPENDITURES GOVERNMENTAL AND ENTERPRISE FUNDS



Revenues and Expenditures

The Government primarily operates from Governmental Funds and Enterprise Funds. The City budgets, records, and monitors revenues and expenditures by fund.

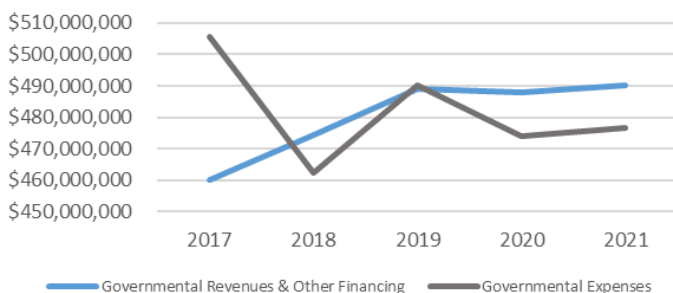
Governmental Funds account for the basic services of Government like police, fire, and public works. The General Fund is a type of Governmental Fund.

Enterprise Funds are used to report on business-like operations that generate revenues to pay for expenses. These include services like the sanitary sewer, landfill, water quality/stormwater and others.

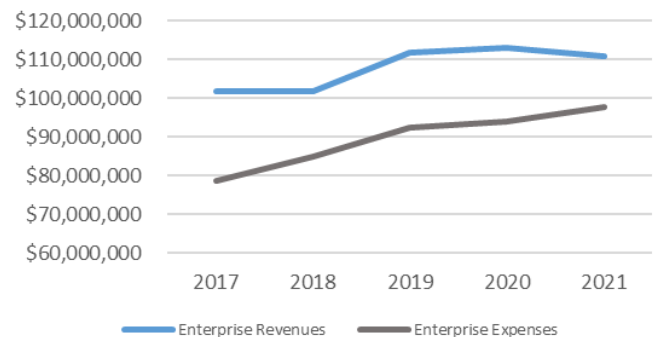
A Look Back...

A five-year review of Revenues and Expenses within the Governmental and Enterprise Funds shows ongoing trends. While the COVID-19 pandemic affected governmental revenue collections, especially those business-related revenues in FY2020 and FY2021, LFUCG was able to maintain a slight growth in revenues due to the influx of CARES Act Relief funds in FY2020. Additionally, the government experienced a decrease in expenses during those same years due to carrying a higher level of position vacancies paired with enhanced controls on operating expenses. The Enterprise Funds, which represent the business-type activities of the City, have experienced less volatility related to the pandemic and show a moderate increase in both revenues and expenses.

5-Year Governmental Revenue and Expense History
Inclusive of Other Funding Sources
(debt proceeds and transfers)



5-Year Enterprise Revenue and Expense History





GENERAL FUND GOVERNMENTAL REVENUES

WHERE THE MONEY COMES FROM

General Fund Revenues

\$369,909,091
2019

\$367,593,935
2020

\$386,027,133
2021


Trend

The City's General Fund experienced moderate growth in 2021, leading to a 5% revenue increase over 2020. This growth is reflective of LFUCG's rebounding economy as local businesses show signs of recovery and expansion.

The majority of the General Fund revenues that fund the Government's activities come from License Fees & Permits as reported in the chart. The major categories within License Fees and Permits are Occupational Fees (Employee Withholding Fee and Net Profit Fee on business net profits), Insurance Premium Tax, and Franchise Fees. Employee Withholding Fee is an assessment of 2.25% on the total wages received by individuals in the Lexington-Fayette County area, and Net Profits Fee is an assessment of 2.25% on net profits of businesses operating in the Lexington-Fayette County area. Insurance Premium Tax is an assessment of 5% on insurance premiums sold by insurance agencies. Franchise Fees are an assessment on utility bills. The rate of the assessment is based on the type of utility. The rate for gas and electric billing is 4% and the rate on water billing is 3%.

Other major revenue categories for the Government are Property Taxes and Charges for Services. Charges for Services include charges collected by the Detention Center, EMS charges, fees for building permits, and fees associated with Parks and Recreation programs.



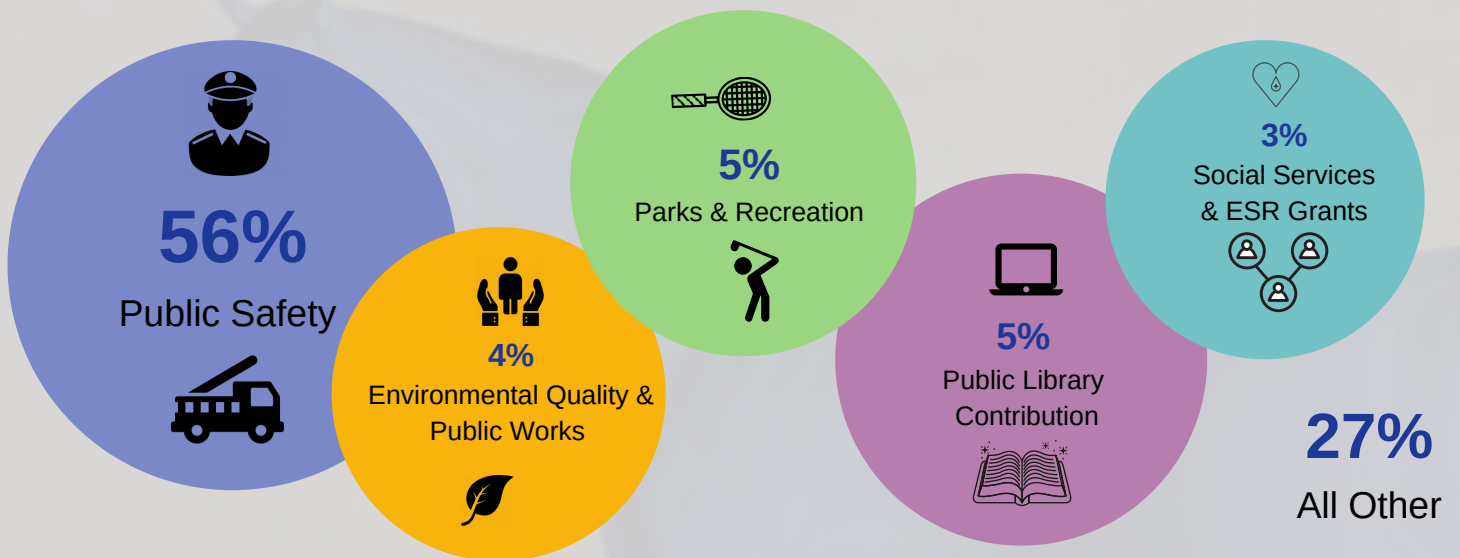


GENERAL FUND GOVERNMENTAL EXPENDITURES WHERE THE MONEY GOES

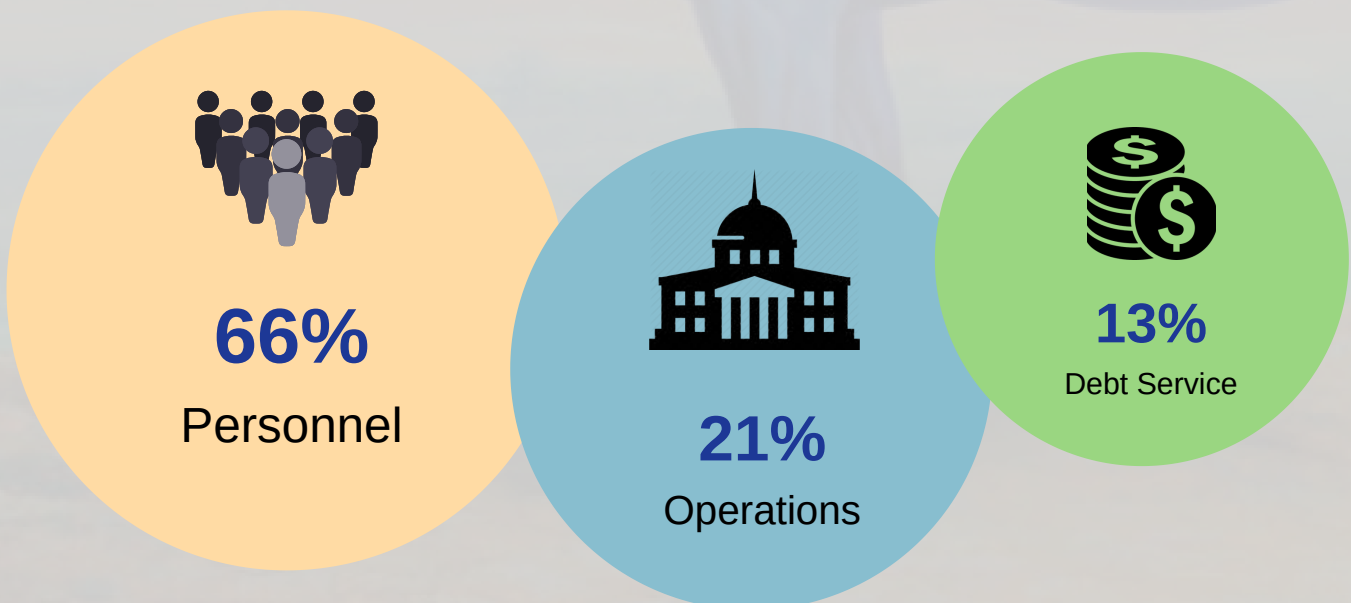
General Fund Expenditures



General Fund Governmental Expenditures by Department



General Fund Governmental Expenditures by Source

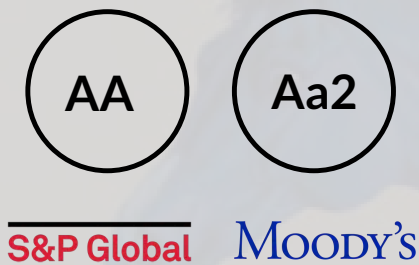




BONDS

Summary of Outstanding Debt - For Years As Stated (in thousands)

	Governmental		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
TOTAL	\$363,851	\$388,498	\$243,449	\$257,827	\$607,300	\$646,325



\$607,300
Total Primary
Government 2021

2.64%
Average Interest Rate

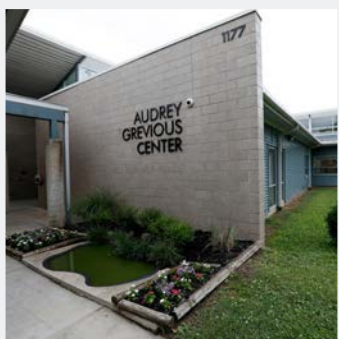
8.1 yrs
Average Project Life

Both Moody's and S&P rate our bonds in a category referred to as "High Grade", which means the Government has strong financial management and is trusted to repay the city's commitments

The Government issues Municipal Bonds annually to fund various Capital Projects. Most of these municipal bonds are "tax-exempt," which means that someone who buys a municipal bond doesn't have to pay federal taxes on the interest they earn, while the government gets to borrow money at a cheaper interest rate. The government repays the amount of the bonds plus interest over a period of time, which is usually between ten and twenty years. Our high bond rating allows us to obtain the best rates when we issue debt, which means we pay less interest over the life of our payments. Bonds have previously been issued for projects such as fire stations, infrastructure improvements, and large construction projects like the Lexington Senior Center. Without bonding, large capital investments in the community might not be possible. A list of capital projects funded through a bond issue during FY2021 is included on Page 15.



CAPITAL ASSETS



Capital assets are the largest asset of the local government



Capital assets are tangible and intangible assets acquired for use in operations that will benefit the local government for more than a single fiscal period. Typical examples of capital assets include land, land improvements, construction-in-progress, infrastructure/improvements, buildings, furniture, motor vehicles, and software.

Summary of Capital Assets - For Years As Stated
(in thousands)

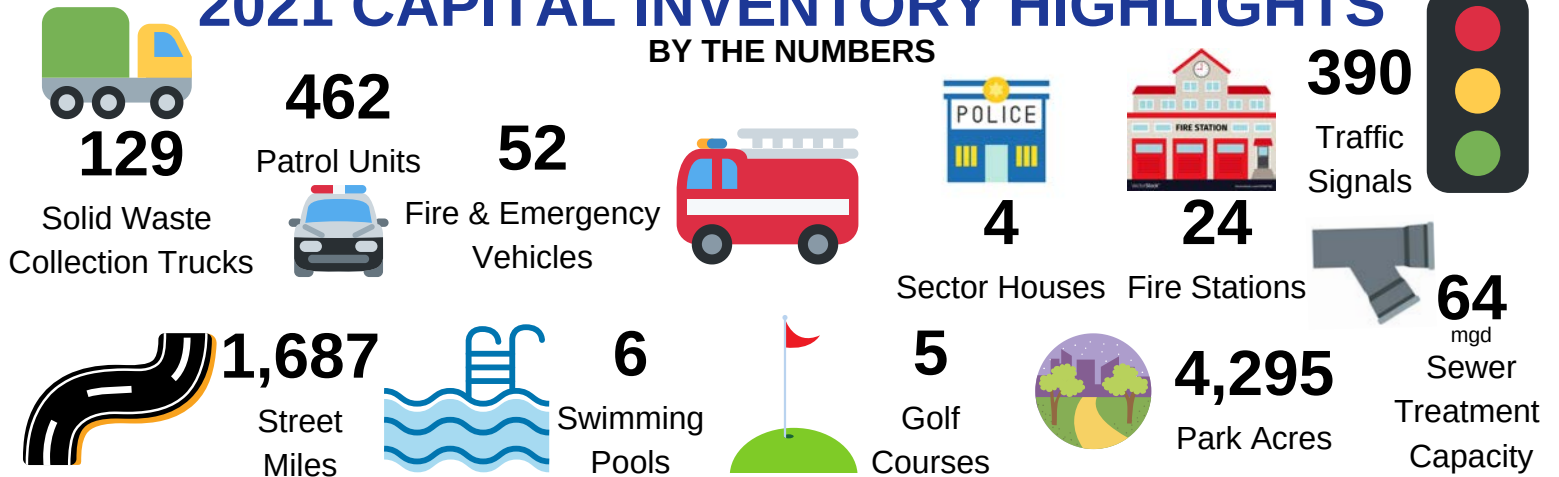
	Governmental		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
TOTAL	\$888,308	\$911,308	\$531,655	\$519,444	\$1,419,963	\$1,430,752



CAPITAL INVENTORY & PROJECTS

2021 CAPITAL INVENTORY HIGHLIGHTS

BY THE NUMBERS



A **capital project** is a project that helps maintain, improve, or replace a government **asset**. Some examples of capital projects regularly undertaken by LFUCG include paving and roadway maintenance, building repairs, major equipment purchases, and the purchase of vehicles. The work to complete capital projects often stretches over fiscal years.

Lexington-Fayette Urban County Government typically funds large capital projects through the issuance of General Obligation bonds. In 2021, a smaller than average bond program was developed in response to uncertain economic conditions. The program for 2021 included only critical items that were necessary to maintain services to residents or address safety concerns. A list of capital projects funded through bonding in 2021 is included below:

2021 General Obligation Bond Funded Capital Projects

New Issue and Reallocation

Rounded to the nearest \$1,000

Paving and Road Maintenance	\$5,000,000
Police Vehicle Replacements	\$1,760,000
General Government Fleet and Equipment Replacement	\$1,000,000
Community Corrections Fire Alarm System Upgrade	\$ 392,000
Traffic Signal Replacement and Repair	\$ 300,000
Government Center Envelope Safety Project	\$ 260,000
Police Ballistic Vest Replacement	\$ 102,000
Parks and Recreation Health and Safety Projects	\$ 200,000
Parks and Recreation ADA Renovations	\$ 125,000
Fire and Emergency Services Cardiac Monitor Replacement	\$ 180,000
Fire Turnout Gear Replacement	\$ 343,000
Fiber Project at Old Frankfort Pike	\$ 50,000

Source: Lexington-Fayette Urban County Government FY2021 Adopted Budget



GOVERNMENT SERVICES

Aging & Disability Services
859-278-6072

**Community &
Resident Services**
859-300-5300

Parks & Recreation
859-288-2900

Building Inspection
859-258-3770

**Environmental Quality
& Public Works**
859-425-2255

Planning
859-258-3160

Central Purchasing
859-258-3320

Family Services
859-288-4040

Police
859-258-3600
911 for emergencies

Citizens' Advocate Office
859-280-8271

Fire & Emergency Services
859-231-5600
911 for emergencies

Revenue
859-280-8300

Code Enforcement
859-425-2255

Social Services
859-258-3804

Community Corrections
859-425-2700

Health Department
859-252-2371

Youth Services
859-246-4393

LexCall 311

LexCall 311 can assist you with resident needs including garbage collection, potholes, trash and debris, street signs and other LFUCG services.

They can also connect you to any LFUCG employee or Division.

MAYOR AND COUNCIL

Mayor Linda Gorton
mayor@lexingtonky.gov
859-258-3100

Steve Kay
Vice Mayor
skay@lexingtonky.gov
859-280-8250

James Brown
District 1
jbrown2@lexingtonky.gov
859-280-8238

Josh McCurn
District 2
jmccurn@lexingtonky.gov
859-280-8239

Hannah LeGris
District 3
hlegris@lexingtonky.gov
859-280-8240

Susan Lamb
District 4
susanl@lexingtonky.gov
859-280-8241

Chuck Ellinger II
At-Large
cellinger@lexingtonky.gov
859-280-8237

Liz Sheehan
District 5
lsheehan@lexingtonky.gov
859-280-8242

David Kloiber
District 6
dkloiber@lexingtonky.gov
859-280-8243

Preston Worley
District 7
pworley@lexingtonky.gov
859-280-8244

Fred Brown
District 8
fbrown@lexingtonky.gov
859-280-8245

Richard Moloney
At-Large
rmoloney@lexingtonky.gov
859-280-8251

Whitney Baxter
District 9
wbaxter@lexingtonky.gov
859-280-8246

Amanda Mays Bledsoe
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Requests for Information

The information contained in the PAFR is a general overview of the Government's finances.

Questions or requests for additional information may be addressed to

Sr. Administrative Officer

Ashley Simpson at

asimpson@lexingtonky.gov or to:

LFUCG

200 East Main Street

Lexington, KY 40507

The PAFR and Annual Report for Lexington-Fayette Urban County Government can be found online at

www.lexingtonky.gov/departments/accounting



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